



Overview: Performance Budgeting

Background

IN 1996, the state Legislature approved a bill amending the state Budget and Accounting Act to require that agencies submit strategic plans along with performance measures for key activities as a part of their biennial budget requests (RCW 43.88.090). This legislative provision was the latest in a series of measures going back to the mid-1980s requiring state agencies to develop and submit goals and objectives in connection with budget requests.

In recent years, the private sector has increasingly tied performance measures to strategic planning efforts to improve customer satisfaction, competitive position, and the financial strength of their businesses. Similarly, an increasing number of state and local governments have adapted this approach to the public sector as a way of measuring the success of programs, and to help inform the public about how their tax dollars are spent. Such states as Texas, Florida, Virginia, Iowa, Utah, and others have pioneered efforts to create an integrated system of planning, budgeting, and performance measurement.

Elements of the State's Performance Budgeting System

In Washington State government, performance budgeting is defined as “better budget decisions through the consideration of strategic planning elements and systematic performance measurement information”. Other traditional factors, such as policy direction, stakeholder and public opinion, organizational capacity, and financial considerations, continue to inform budget decisions as they always have. It should be noted that performance budgeting definition differs from performance funding, a mechanism whereby appropriations are driven by past performance.

The Office of Financial Management (OFM) issues biennial **budget instructions** to agencies, spelling out the strategic planning and performance measurement information agencies must submit with their biennial budget requests. The objective of the instructions is to assist agencies in linking budget requests to strategic goals.

OFM provides ongoing **technical assistance** to state agencies in the development of strategic plans, measurable goals, strategies, and performance measurement systems. In addition, the state Department of Personnel offers classes in strategic planning, development of outcome measures, and performance management systems.

OFM's assessment of agency budget proposals is informed by agency strategic plans and performance information. This type of information is key to evaluating the extent to which a budget proposal furthers state policy direction, documents a problem, articulates

a likely benefit, or enhances efficiency. Financial information alone cannot answer these important questions.

The Governor's Recommendation Summary document includes selected performance measures to illustrate expected agency performance associated with the recommended funding level. For each agency, the mission, selected goals and performance measures, and six years of performance actuals/estimates are published. (See "For More Information..." section, below, for Internet address.)

In late 1997 OFM released a new **Internet-based performance measure tracking and reporting system** for agencies' budget-related performance measures. Agencies are able to enter their mission statements, goals, performance measure descriptions, and tracking estimates and actuals on this centralized database. Agencies, OFM analysts, and legislative fiscal staff are able to generate reports from this system. In addition, OFM posts the tracking data on its Internet site every quarter. (See "For More Information..." section, below, for Internet address.)

Benefits of Performance Budgeting

In coordination with other important management initiatives led by the Governor, OFM is working with agencies in Washington State to implement an integrated budgeting system linked to strategic planning, quality and regulatory improvement, and performance measurement. Anticipated benefits of using strategic plans and performance measures for managing and budgeting state programs include:

Better program management from enhanced organizational learning. Clearly articulated objectives and performance measures can give managers measurable targets, generate feedback on the effectiveness of strategies, and provide the factual basis for on-going process improvements.

Increased agency accountability. Performance measures assess progress toward expected goals set forth in strategic plans, as well as the expected performance changes resulting from budget or policy changes.

More informed budget decisions. Performance measures provide an objective tool for evaluating proposed budget changes and current expenditures.

Better program performance review. Articulated goals and objectives, as well as performance targets, are a starting point for performance audits, program evaluations, and sunset reviews used to assess the value of long-standing agency processes and the success of new policy initiatives.

Better communication with the public. Legislators and the public have a clearer picture of what results they can expect for the money provided to agencies.

For More Information...

- *OFM 1999-01 Biennium Operating Budget Instructions*, Section 2, Agency Strategic Plan and Performance Measures (<http://www.ofm.wa.gov/budinst/sec2.pdf>)
- Agency performance measure estimates published in the *Governor's Proposed 1999-2001 Budget Recommendation Summaries* (<http://www.ofm.wa.gov/budget99/recsum/contents.htm> – select “Agency Recommendation Summaries”, select desired agency from list, then select “Link to Performance Measures”)
- Agency performance measure estimates and actuals for the 1999-01 Biennium contained in the quarterly *Performance Progress Report* (<http://www.ofm.wa.gov/perfrept/1qt00toc.htm> – select desired agency from list)